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C O N F I D E N T I A L SECTION 01 OF 04 BEIJING 001760

SIPDIS

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TAGS PGOV, PREL, ECON, SOCI, CH

SUBJECT: FIFTH GENERATION STAR LI KEQIANG DISCUSSES
DOMESTIC CHALLENGES, TRADE RELATIONS WITH AMBASSADOR
REF: SHENYANG 26

Classified By: Ambassador Clark T. Randt, Jr. Reasons 1.4 (b) and (d).

Summary

1. (C) Liaoning Party Secretary Li Keqiang, a front runner for elevation to the Politburo this fall and potential successor to President Hu Jintao, NPC: Focus on Property Law, Social Issues

2. (C) Liaoning Party Secretary Li Keqiang, identified as a potential "fifth generation" leader and possible successor to President Hu Jintao, The Economy: Not By the Numbers

3. (C) Describing some of the challenges he faces as Party Secretary, Li related that despite brisk economic growth of SIPDIS 12.8 percent in 2006, Liaoning's income gaps remain severe. Liaoning ranks among the top 10 Chinese provinces in terms of per capita GDF

4. (C) GDP figures are "man-made" and therefore unreliable, Li said. When evaluating Liaoning's economy, he focuses on three figures:
1) electricity consumption, which was up 10 percent in Liaoning last year;
2) volume of rail cargo, which is fairly accurate because fees are charged for each unit of weight; and
3) amount of loans disbursed, which also tends to be accurate given the interest fees charged. By looking at these three figures, Li said he ca

Harmonious Society Means Jobs

5. (C) In an attempt to create a "harmonious society" in Liaoning, Li said he has tried to guarantee a minimum standard of living for all resi BEIJING 00001760 002 OF 004 deal of support for this program, with local governments and government-backed loans providing the most of the funding. In exchange for a modes

Governance: Corruption, Public Feedback

6. (C) Although Liaoning residents are dissatisfied with education, health care and housing issues, it is corruption that makes them most angr

7. (C) To learn what is on the minds of the public, Li said he uses a variety of channels, official and unofficial. These include investigativ Rule of Law

8. (C) China has made great progress in improving its legal system and implementing the rule of law, said Li, who has a degree in law. On the Education

9. (C) Education is crucial for China's continued development, Li said. The most important task is to increase access to compulsory education. Bilateral Relations, Six-Party Talks

10. (C) United States-China relations are "developing smoothly," Li said, which benefits both of our countries and the entire world. He agreed BEIJING 00001760 003 OF 004 noting that, above all, Liaoning residents hope to see a stable and peaceful Korean Peninsula. Li alleged that he had witnessed no changes in f

Trade Relations: Boosting Domestic Spending

11. (C) The Ambassador raised the large trade imbalance between the United States and China, explaining that one of our priorities in the Stre

12. (C) China's low consumption rates are due, in part, to the Chinese people's tradition of frugality and China's overall low level of devel Free Trade vs. Protectionism

13. (C) Referring to perceived increased protectionist sentiment on Capitol Hill, Li said one problem is that Members of Congress who have nev

14. (C) Changing tack, Li launched into a spirited defense of free trade. If we resort to protectionism, we will all lose, he averred. Both Cf Intel Investment in Dalian

15. (C) Regarding export licenses for Intel's possible investment in Dalian (see reftel), the Ambassador told Li that Intel is working closely BEIJING 00001760 004 OF 004

Bio Info

16. (C) Li Keqiang remains one of the front runners to ascend to the Politburo this fall, perhaps even to the Politburo Standing Committee, ar